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Toolkit of Best Practices

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Tax Allocation District (TAD) A tax allocation district (TAD) is a designated area in which improvements, usually related to infrastructure or environmental problems, are carried out by a local government in order to make a site a valid location for a project that developers would be interested in. The local government usually issues bonds to pay for the improvements, and the added tax revenues that the project eventually generates are used to pay off the bonds. This technique, known as tax increment financing (TIF), has been widely used around the U.S. The term "tax allocation district," however, is specific to Georgia.	• Financial Institutions resistant to new development ideas • Inadequate public facility capacity for attracting new development • Not enough innovative economic development taking place • Not enough jobs or economic opportunities for local residents • Unattractive or declining town center • Undeveloped vacant sites close in to town	• Adequate staffing may be an issue. • Complex to develop an effective program • Every financing method has advantages and disadvantages related to cost of financing (including opportunity cost), who bears the cost, and how that will affect future investment in the community • Infrastructure needs should be determined before exploring financing options • May be costly to provide incentives and public improvements to encourage infill development • Reduces urban sprawl by first developing vacant areas closer in • Requires qualified staff to administer • Very effective means to manage development in special "problem" areas of the community • When brownfields are located in economically depressed areas, there is a need for government involvement, including but not limited to incentives to encourage remediation and redevelopment	**Atlantic Station** **Camp Creek Marketplace** **Implementation Examples Outside Georgia**

Tax Allocation District (TAD)

- **Guides For Implementing This Tool**
- **Model Ordinances**
- **Aids For Visualizing This Tool**
- **Georgia Implementation Examples**
- **Implementation Examples Outside Georgia**
- **Other Resources**
- **File Format Help**

Guides For Implementing This Tool

No records available.

Model Ordinances

No records available.

Aids For Visualizing This Tool

No records available.

Georgia Implementation Examples

Fulton County, GA - The ongoing Atlantic Station development is on the former Atlantic Steel Mill brownfield site in Midtown Atlanta. The project is redeveloping 138 acres into a giant live-work-play area that contains housing (townhouses and apartments), offices, entertainment (including a cinema), a hotel, and extensive retail. Two of the buildings are skyscrapers which make their mark on the city's skyline. There is a small park as well. The City of Atlanta established a tax allocation district (which uses tax increment financing) to pay for infrastructure improvements in the area, including roads, sidewalks, sewers and parking. Atlantic Station's expected high rate of "internal capture" was a factor in gaining EPA approval for it. The project is also knit into the surrounding areas. A new bridge, the 17th Street Bridge, was built over the I-75/85 highway to tie the project to Midtown Atlanta, and an adjacent pre-existing residential neighborhood is well connected by several streets. 17th Street has been extended all the way through the project, from the new bridge to Northside Drive, and this major new route may help ease traffic congestion.

Fulton County, GA - Camp Creek Marketplace is a 1.2 million square-foot "power center" (essentially a strip mall). The area was difficult to develop due to its topography and lack of infrastructure, and so the City of East Point created a TAD (tax allocation district) to construct the needed infrastructure. This led to activity on the part of developers; the Camp Creek Marketplace provides retail in a low-income area that needs such amenities. A new business park is also under construction as part of the TAD.

Implementation Examples Outside Georgia

Colorado - On the site of a former amusement park, the Denver Urban Renewal Authority (DURA) helped create Highlands' Garden Village, a compact mixed-use community. The project needed new zoning allowances, which the city has since adjusted and adopted for Denver's first mixed-use overlay zone. The new neighborhood is very walkable, thanks in part to "skinny streets." To fit the context at the project's edges, large buildings are across from existing commercial blocks, while houses are across from houses. There are many home choices: single-family houses, mixed-income and senior units, townhouses, live-work lofts, carriage houses, and co-housing condominiums. The project also has shops, a school, gardens and a historic theater. The buildings use traditional Denver architectural styles. Design workshops were used early in the planning process to involve residents and stakeholders. DURA created an Urban Renewal District, and provided tax increment financing (this is similar to a TAD in Georgia) and direct equity investment, to make the project viable. The investment has succeeded, as residential and commercial property values increased at faster rates in the project than the overall region. The project was one of five recipients of the 2005 National Award for Smart Growth Achievement from the E.P.A.

Other Resources

ACCG website article on TAD's
This article provides information on how tax allocation districts (TAD's) have been set up and used in Georgia. It is brief, yet provides a good basic overview.
http://www.dca.state.ga.us/OITDSShared/asp/NavDisclaimer.asp?Leaving=GQGP&GoToURL=http://www.accg.org/detail.asp?ID=3323

File Format Help

GIF (Graphic Image File format) A widely supported image-storage format promoted by CompuServe that gained early widespread use on on-line services and the Internet. Limited to 8 bits of colour.

JPEG (Joint Photographic Experts Group) JPEG is used to refer to the standard they developed for still-image compression, which is sanctioned by the International Standards Organization (ISO).

PDF The PDF file format is the best choice for printing reports and other documents, viewing graphically intensive documents, and observing documents in their original format. You must have the free Adobe Acrobat Reader installed on your computer to view PDF documents. PDF is a very common format for viewing documents on the Internet so installing the Acrobat Reader will be useful on other websites as well. To download Acrobat Reader or to learn more about the product, click on the Adobe icon below.

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Vote "yes" on Tax Allocation District

by Sharon Gay

Want to really wow them? Skip the technology and connect the old-fashioned way

When Gwinnett County voters walk into the voting booth on Nov. 7 and look at the usual lineup of state and local races, you will then encounter an unfamiliar ballot question. You will be asked to grant to your county commission the authority to exercise "redevelopment powers" under Georgia law. What are these powers, and why should you grant them?

Georgia's "Redevelopment Powers Law" allows local governments to identify areas in need of redevelopment and adopt redevelopment plans for revitalization. Properties or corridors with aging or deteriorating buildings, crumbling or inadequate infrastructure, or environmental problems may be targeted for redevelopment. The county may adopt redevelopment plans that explain how the areas will be revitalized and how the redevelopment will be funded.

Once a redevelopment plan is adopted, the county may issue tax-exempt revenue bonds to pay for some of the redevelopment costs. These tax allocation district, or "TAD," bonds are paid off with new tax proceeds resulting from redevelopment. Meanwhile, the county and school district continue to receive property tax revenues on the value of the properties within the redevelopment area at the time the TAD was created.

In effect, the incremental increases in tax revenues resulting from redevelopment activities as envisioned in the redevelopment plan are earmarked to pay some of the redevelopment costs. By issuing TAD bonds, known as "tax increment financing" in other states, the county can leverage that revenue stream to fund up-front costs as a catalyst to get redevelopment projects underway.

It is important to note what a TAD does not do.

Creating a TAD does not result in a tax freeze or a tax break for developers or a tax increase for property owners. Properties within a TAD are taxed at the same rate as every other property in the county. Nor does creating a TAD divert current tax revenue from the county and school district. They continue to receive taxes paid on the initial property values within the TAD. Use of TADs is limited to areas where the targeted redevelopment is not likely to occur without the resources provided under the Redevelopment Powers Law. And a TAD bond issue cannot be backed by the general taxing power of the county. Only the tax increment resulting from increased values within the TAD boundaries may be used to pay the debt service.

Communities throughout the metro area have begun to employ this powerful and effective redevelopment tool. Perhaps the best-known example is the Atlantic Station development in midtown Atlanta. TAD bond funding was used to fund the costs of building much of the infrastructure needed to transform a former steel mill into a vibrant community of shops, restaurants, offices and homes. Local governments from East Point to Acworth are using TAD bonds to revitalize their communities, cleaning up blighted properties, building much-needed infrastructure, and forming public-private partnerships to build new commercial centers, business parks, and mixed-use developments. Moreover, nearly every state in this country allows the use of some form of tax increment financing to support redevelopment.

My law firm's work with these metro-area TADs has persuaded us that the Redevelopment Power Law is the most valuable mechanism available to cities and counties in Georgia to promote community revitalization. We encourage you to grant your local officials the authority to use this tool to benefit your community.

Sharon Gay is a partner in the law firm of McKenna Long & Aldridge LLP.

>> Learn more: Read Georgia State University reports on TADS at http://aysps.gsu.edu/news/release/tad.htm.

The following overview was prepared by McKenna Long & Aldridge LLP.

Tax allocation districts in Georgia

What is a tax allocation district?

A tax allocation district, or TAD, is a tool used to pay for infrastructure and other improvements in underdeveloped or blighted areas so that the property becomes productive and enhances the surrounding neighborhoods. As property within the TAD is redeveloped and improved, the City receives new property tax revenues as a result of the increased property values. This new revenue is used to make improvements in the TAD without raising taxes or dipping into the City's current tax revenues. The City's investment in the TAD is repaid through improved properties that become permanent sources of increased property tax revenues.

How does a TAD work?

The City designates an area in need of redevelopment, adopts a redevelopment plan outlining how the area will be developed, and creates the TAD. The County Commission and School Board consent to including their share of the new tax revenues, or tax increment, in the TAD. The current value of the tax digest in the area is set as a base, and the City, County, and School Board continue to receive tax revenues on that value for the life of the TAD. As vacant and dilapidated properties are developed, the property values within the TAD increase. New tax revenues from this increased value are placed into a special fund to pay for redevelopment costs or to finance bonds issued to fund capital improvements.

How does a TAD differ from an enterprise zone?

When an enterprise zone is created, property taxes are fully abated for the first five years and then gradually increased for the next five years. Conversely, when a TAD is created, property owners continue to pay property taxes at the full millage rate levied by the City and County. With a TAD, the local governments continue to receive the same amount of property taxes collected when the TAD was created. Any incremental increase in property tax revenues resulting from growth in property values within the TAD is deposited into the special fund for payment of redevelopment costs.

Will creating a TAD cause a tax increase?

No. The property tax millage rate stays the same as before the TAD was created. In fact, the additional tax revenues received as a result of the increased value of newly developed or redeveloped property can relieve

MARIETTA
REDEVELOPMENT
CORPORATION

"Rediscovering neighborhoods one at a time"

MISSION STATEMENT

The principal mission of the Marietta Redevelopment Corporation is to strengthen the economic and residential base of the City by revitalizing neighborhoods, commercial areas and other distressed properties. The role of the MRC is to make strategic real estate investments in blighted areas, assemble properties for redevelopment where needed, and partner with the private sector to invest in our community.

the tax burden on other properties. For example, if a vacant lot is developed into a retail center with loft housing, which has significantly higher value than the previous use, the new tax revenues will lessen the burden on other property owners. In addition, the new development in the TAD may stimulate other development in the surrounding area, adding more new property taxes to the City's coffers. New retail development also generates increased sales tax revenues, which further benefit existing taxpayers.

Is there a limit on the number or size of TADs a City may create?

State law provides that a local government may not create another TAD when the total taxable value of the existing TADs plus the proposed TAD exceeds ten percent of the taxable value of the total digest.

Is the local government obligated to pay off the bonds if the tax increment is insufficient?

No. The Redevelopment Powers Law does not allow a pledge of the general taxing power of a city or county to repay the debt.

Do cities and counties in other states provide this type of financing?

In the 1960s and 1970s, federal and state governments began cutting back economic development programs that could be used to revitalize communities. Tax increment financing, or TIF, as it is known elsewhere, has become a popular tool to attract new business, invest in infrastructure improvements, and rebuild blighted areas. TIFs are used in 44 states to stimulate development and redevelopment. Illinois has over 400 TIFs - 120 in Chicago alone. The TIF program has been credited with providing the catalyst for the dramatic renaissance of downtown Chicago.

Portland, Oregon has created ten TIFs, including the Gateway Regional Center, a project that includes transportation improvements, new housing, mixed-use development, and public facilities in a 653-acre area covering three neighborhoods. Kansas City, Missouri also has used TIFs successfully both to facilitate site-specific developments and to stimulate development in large blighted areas. The Midtown Market Place project involved demolishing over 140 blighted properties within a 22-acre site and rebuilding a mixed-use development with office, retail, and residential elements.

How have TADs been used in Georgia?

Cities and counties in Georgia are beginning to use TADs to stimulate economic redevelopment. As of mid 2006, a total of 17 TADs had been created in the metro Atlanta region from Acworth to Clayton County. Highlights include the following:

Atlanta -- Atlantic Steel: The City has issued two series of TAD bonds (2001 and 2006) to fund infrastructure for the Atlantic Station mixed use development on a former brownfield site west of Midtown. The Developer has master planned the site for approximately 6 million sq. ft. of office space, over 5000 residences, and 2 million square feet of retail and entertainment space and create up to 30,000 jobs. So far, vertical developers have built and opened approximately 2.9 million square feet of mixed use development including a 528,000 square foot office tower which houses the southern regional headquarters of Wachovia Bank, a 100 room boutique hotel, an 811,000 square foot urban retail center, a 366,000 square foot IKEA and 1,060 apartments, townhomes, condominium, and single family homes. The infrastructure needs funded from the Series 2001 and 2006 TAD Bonds include environmental remediation and site development, design, construction and installation of utilities, parking facilities and street, sidewalks and other public works.

Atlanta -- Eastside: In 2005, the City issued $47 million in TAD Bonds for this redevelopment area which incorporate most of downtown Atlanta east of Peachtree Street and the surrounding depressed neighborhoods. This TAD includes diverse developers and projects such as the Capitol Gateway Development, Sweet Auburn Village and TWELVE Centennial Park, who will develop over two thousand apartments and condominiums, office buildings, retail space, hotels, and cultural venues. TAD Bonds were used to pay for environmental remediation, wastewater and stormwater management, streetscapes and sidewalks, utility upgrades, parking structures and other infrastructure costs.

Atlanta -- Westside: This TAD encompasses the rest of downtown Atlanta west of Peachtree Street and includes a variety of projects and developers such as the World of Coca Cola Development, the Historic Westside Village Development, Allen Plaza, and the Winecoff Hotel. The $80 million in TAD Bonds issued in December 2005, are being used to support the redevelopment of vacant lots and dilapidated buildings by reimbursing the various retail, office, residential and tourism developers for environmental remediation, preservation of significant architecture and building façades, streetscapes and sidewalks, utility upgrades, parking structures and other infrastructure costs.

Atlanta -- Perry/Bolton: This TAD was created to fund infrastructure costs of redeveloping a blighted public housing project into a mixed income community of 700 apartments, 1200 single family homes, a town center, and a public golf course on top of a former city landfill. Bonds are expected to be issued early in 2007

Acworth -- Lakeside: The City has just issued $7 million in TAD bonds to clean up a landfill/brownfield site to permit construction of a $40 million shopping center.

Atlanta -- Princeton Lakes: The City issued $21 million in TAD bonds in March 2006 for a 450-acre mixed use and residential development in southwest Atlanta adjacent to the City of East Point's Camp Creek MarketPlace. Princeton Lakes will include 378,000 square feet of retail, 102,000 square feet of office and over 1,500 residences including apartments, townhomes and single family detached homes in a variety of styles and price ranges. TAD Bonds were used to pay for infrastructure needs like waster and sewer improvements, streetscapes and a new multi-lane parkway.

Atlanta - Beltline: In December 2005 the City of Atlanta created its sixth TAD, known as the Beltline TAD, which is a 22-mile loop of historic railroad tracks that circles the downtown area. The City intends to issue an initial series of bonds for the Beltline TAD to spur economic development and enhance mobility in 45 in-town neighborhoods with parks, transit and trails and affordable housing. The City is presently in proceedings to validate $35 Million in Bond Anticipation Notes to begin projects in the TAD.

East Point -- Camp Creek: The City of East Point issued $22 million in TAD bonds in 2002 to finance infrastructure needed for the Camp Creek MarketPlace, a 700,000 sq. ft. retail center that opened in July 2003, and a 5 million square foot business park under development by Duke Realty. The MarketPlace, which was the first significant retail development in South Fulton County in over 30 years, has become a community gathering place and is setting national sales records for many of its businesses.

Marietta: In 2005 the City issued $8.4 million in TAD obligations for the City's Center City South Renaissance TAD, designed to provide streets, sidewalks, infrastructure and land assembly costs for several residential developments in the downtown area, replacing substandard and aging housing projects.

Works in progress: In Cobb County, Marietta and Smyrna have created TADs to provide funding for various new redevelopment projects. Clayton County created a TAD to provide infrastructure financing for a mixed-use development in the Ellenwood area. In late 2004, two TADs were approved in DeKalb County and additional one in East Point, for which bonds have not yet been issued. In late 2006 the City of Holly Springs in Cherokee County intends to issue bonds for its New Town Center TAD. The cities of Gainesville, Kennesaw, Rome, Union City and Woodstock are also actively working to create TADs before the end of 2006.

For more information, call 770-794-5716.

What is a TAD? - Explaining Tax Allocation Districts"

Friday, March 2nd, 2007 in BeltLine, Downtown Smyrna, Atlanta Road, 30080, 30082, 30126, 30339, Townhome, Jonquil Village, New Construction, Construction, Redevelopment, Cobb County, Smyrna, TAD, Belmont Hills, Development

Many people have asked what a Tax Allocation District is or more commonly referred to as a TAD. You might have heard of them referred to as a Tax Increment Financing area or TIF in states other than Georgia. TIFs are used in 44 states to stimulate development and redevelopment.

In a nutshell, TADs and TIFs are tools used by governments to provide financing for infrastructure and other improvements needed to improve a blighted area in a municipality. The financing for these improvements comes without having to raise millage rates...by increasing the property value of the blighted area, the government will collect enough additional tax revenue from that area to pay back the money issued for the improvements.

TADs are not the same as abatements where the property owner doesn't pay taxes or pays an incremental amount of property tax for the first 10 years as an incentive to purchase in a blighted area.

I've found that the Marietta Redevelopment Corporation has the best overview of TADs at their website which was prepared by McKenna Long & Aldridge LLP.

I'll take a real elementary approach to illustrate how a tad works:

An abandoned 10 acre parcel of land in a blighted area has an appraised value of $1M and the city/county collects $15K a year in taxes from it. The city offers to provide a developer $10M in TAD funds (bonds issued paying a 5% return and to be repaid in no more than 25 years) to develop the property and build 200 townhomes surrounding a 1 acre city park. The 200 townhomes each have a new average property value of $250K and the city/county will collect $3750 in annual property taxes for each unit for a total of $750K in annual tax revenue. $15K of the $750K collected in taxes would go toward paying for city & county services such as fire, police, parks, libraries, schools, courts etc (same amount of taxes collected from the property prior to the redevelopment). The other $735K in increased tax revenue goes to repay the $10M in TAD bonds issued. Given this scenario (factoring in the 5% return on bonds but not factoring in appreciation or an increase in the amount of tax collected over time), the $10M in TAD bonds would be repaid in the 23rd year.

The largest TAD in the history of Georgia (with an approved bond issuance of up to $200 Million) is the Atlanta BeltLine project that recently met some opposition in the courts. The Fulton County Taxpayers Association contended that the development was a violation of the Georgia Constitution. The FCTA argued that "it [was] unfair and illegal for non-TAD taxpayers to pay for city, county or schools services to support the luxury condominiums and class-A office buildings and shopping centers proposed for the Beltline." On January 23rd, the Fulton Superior Court upheld the constitutionality and validity of the BeltLine project bringing it one step closer to becoming a reality.

A Smyrna resident filed a similar lawsuit on December 20th, 2006 in attempt to halt the use of $26.2M of TAD funding granted for the Jonquil Village redevelopment. Looking at the Cobb County Superior Court Clerk's records, City of Smyrna, Cobb County, and Cobb County Board of Education are all named as defendants and the case status is still Open. From talking to a source involved in the project, they expect that the outcome of the BeltLine lawsuit will support a positive outcome in favor of the Jonquil Village project. My source also tells me that we could see demolition of the existing structures as early as this May.

When used properly, TADs are an excellent way to improve neglected areas without placing a financial burden on the surrounding property owners. I fully support the use of TAD funding for the Jonquil Village and I am hopeful that the Cobb County School Board and Cobb County Commissioners will increase the Belmont TAD cap in Smyrna in order to pave the way for the redevelopment of Belmont Hills shopping center as well. It is only logical that properties near redeveloped TAD projects will be improved as well without the assistance of local government funding.

PACES FERRY REALTY

Georgia's Redevelopment Powers Law: A Policy Guide to the Evaluation and Use of Tax Allocation Districts

by Carolyn Bourdeaux and John Matthews
November 2004
Research Atlanta, Inc.
Georgia State University
Andrew Young School of Policy Studies

Excerpts from the Executive Summary

Within the past five years, eleven separate tax allocation districts (TADs) have been created in just the metropolitan Atlanta region. The sudden surge in popularity of this economic development tool generally has not been accompanied by any systematic assessment or set of policies to guide their evaluation or their use.

What is a TAD?

When a jurisdiction experiences redevelopment or new economic development, typically the value of taxable properties in that jurisdiction increases, and thus, the tax revenues collected from these properties increase. TADs work by capturing the incremental tax revenues gained from this increase in property values in a pre-designated geographic area and using these funds to retire debt or to fund improvements on a pay-as-you-go basis.

The most significant financing innovation associated with TADs is the use of TAD-backed debt (often referred to as "tax increment financing"). Specifically, jurisdictions can issue debt to fund capital improvements and/or to support other public or private sector investments in an area and use the *anticipated* increase in property values from this investment to finance the debt. Recently, Georgia expanded this law to allow localities to commit incremental gains in sales taxes and other taxes such as the hotel-motel taxes to support TAD activities.

Benefits of TADs

The expectation when using TADs is that the revenues they produce will finance projects that stimulate growth and thus contribute to growth in jobs, wealth, housing opportunities, and other economic development goals which also enhancing the fiscal position of participating jurisdictions. Planners can point to a number of TAD-financed projects around the country that produced significant returns on investment. However, the benefits of TADs come not only form its potential to stimulated growth but from its flexibility as a financing and redevelopment tool. These benefits include:

- The ability to finance economic development activities based on anticipated increases in revenues, rather than drawing on the current tax base
- The ability to issue TAD debt which does not count against state-imposed local debt ceilings and does not have to be backed by the full faith and credit of the issuing jurisdiction

- Access to a policy tool that allows overlapping jurisdictions to pool resources (from incremental increases in property tax revenues) to support economic development activities
- Access to redevelopment powers such as eminent domain

Costs and Risks of TADs

While TADs appear to have been highly successful in certain regions around the country, the increased growth from a TAD investment needs not only to cover the upfront costs of the local investment in a particular project *but also* any related increases in public service costs. A jurisdiction can only commit 10 percent of its property tax base to TADs at any given point in time.

Key recommendations to minimize taxpayer risk include:

- Identifying the areas that should be targeted for redevelopment, the critical public purposes that will be served by TAD, and the types of projects that are appropriate for TAD backing
- Conducting a full and careful feasibility, fiscal impact, and cost-benefit analysis of proposed TAD projects
- Estimating conservatively the revenues form TADs that can be used for backing debt
- Targeting TADs for projects where private sector investment is unlikely without public sector investment (e.g., brownfield and urban blight redevelopment)
- Favoring strategies that share risk with the private sector
- Perform annual performance audits/evaluations and financial audits
- Clearly specify benefits to private sector entities receiving TAD assistance to include meaningful sanctions for failure to meet goals.

Tax Allocation Districts and the financing instruments associated with them have become mainstream economic development tools in many states. Georgia is just beginning to experiment more broadly with this strategy.

The Executive Summary as well as the full 72-page report are available by calling Marilyn Heuer at 706-868-3359 or Linda Lindley at 706-868-3379.